

Message Text

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PAGE 01 CAIRO 11697 141421Z
ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 IGA-02
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02
OPIC-03 LAB-04 SIL-01 /081 W
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R 141150Z JUL 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 7219
INFO AMEMBASSY ABU DHABI
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

C O N F I D E N T I A L CAIRO 11697

E.O. 11652: GDS
TAGS: EFIN, EAID, EG
SUBJECT: DISCUSSION WITH IBRD OFFICIALS ON ECONOMY

REF: CAIRO 11090

1. AMBASSADOR MET JULY 12 WITH IBRD OFFICIALS PAIJMANS
AND IKRAM FOR EXCHANGE OF VIEWS ON STATE OF EGYPTIAN ECONOMY.
PAIJMANS COMMENTED HE IS SOMEWHAT ENCOURAGED REGARDING
INTENT AND POLICY DIRECTION OF GOE, ESPECIALLY IN COMPARISON
WITH SITUATION IN RECENT YEARS. HE EXPRESSED RESERVATIONS,
HOWEVER, ABOUT WHETHER APPARENT THRUST OF GOE LEADERSHIP
WILL BE TRANSLATED INTO ACTION. PAIJMANS NOTED AGAIN
PLANS OF IBRD TO DELVE DEEPER INTO SECTORAL PROBLEMS
(REFTEL), AND SPELLED OUT BANK'S BELIEF THAT IT DOES NOT
VIEW ITS OWN ROLE AS ONE OF PUSHING GOE TOO FAR TOO FAST
ON REFORMS--THIS DESPITE UNDOUBTED NEED FOR DEMONSTRABLE
PERFORMANCE PRIOR TO NEXT CG MEETING.

2. AMONG POSITIVE FACTORS ON ECONOMIC SCENE, IN
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PAGE 02 CAIRO 11697 141421Z

PAIJMAN'S VIEW, ARE IMPROVED ARREARS POSITION AS CONVEYED
TO HIM BY CENTRAL BANK GOVERNOR IBRAHIM AND LATTER'S
APPARENT DETERMINATION TO MAINTAIN DOMESTIC BORROWING
WITHIN LIMITS SET BY IMF, I.E., LE 400 MILLION. IBRD
OFFICIAL NOTED THAT SAUDIS, IN PERSON OF SAG MINFIN ABA
AL KHAYL, HAVE RECENTLY COME THROUGH WITH \$100 MILLION
MORE IN DRAWDOWN ON LARGE GODE LOAN EVEN THOUGH ALL LEGAL

FORMALITIES IN CONNECTION WITH \$1,475 MILLION TRANSACTION HAVE NOT YET BEEN COMPLETED. (NOTE: TOTAL AVAILABLE FOR DISBURSEMENTS UNDER THIS LOAN NOW STANDS AT \$512 MILLION.) IF FURTHER MONIES COME THROUGH AS EXPECTED, EGYPT WILL BE CURRENT IN ITS PAYMENTS ON BOTH BANK CREDIT FACILITIES AND SUPPLIERS' CREDITS BY END OF JULY, ACCORDING PAIJMANS. HE ALSO SAID POSSIBILITY OF RELATIVELY SMALL OVERRUN IN INTERNAL BORROWING BY CENTRAL BANK IS UNLIKELY TO CONCERN IMF OR IBRD VERY MUCH.

3. PAIJMANS' WORRIES ABOUT CURRENT STATE OF ECONOMY, ASIDE FROM RESERVATIONS ON GOE'S ABILITY TO FOLLOW THROUGH ON ACTIONS ANNOUNCED AS FORTHCOMING, CENTER ON EGYPTIAN ATTITUDE THAT COUNTRY HAS "RIGHT" TO ARAB MUNIFICENCE AND, ON OTHER SIDE OF COIN, FAILURE THUS FAR OF ARABS TO PUSH FOR REFORMS. GOE OFFICIALS EVIDENTLY HAVE RESTATED TO HIM THEIR POSITION THAT EGYPT HAS "EARNED" ACCESS TO VIRTUALLY UNLIMITED ARAB FUNDING BY HAVING CARRIED BURDEN OF FRONT LINE CONFRONTATION WITH ISRAEL ALL THESE YEARS. THIS STANCE HE SEES AS OBVIOUSLY UNHELPFUL IN BRINGING ABOUT NEEDED CHANGES IN ECONOMY, ESPECIALLY WHEN COMBINED WITH SEEMING RELUCTANCE OF ARAB DONORS TO INSIST ON PERFORMANCE. (PAIJMANS CITED QUIESCENCE OF ARABS AT PARIS CG MEETING AS EXAMPLE: ACTUALLY SAUDIS WERE CHIEF OFFENDERS IN THIS REGARD, WITH REPRESENTATIVES FROM KUWAIT AND ABU DHABI ACTIVE IN DIALOGUE OCCASIONED BY MEETING.) PAIJMANS CONFIDENTIAL

CONFIDENTIAL

PAGE 03 CAIRO 11697 141421Z

ALSO COMMENTED ON POTENTIALLY ADVERSE EFFECT OF CURRENT LEVEL OF CONSPICUOUS CONSUMPTION IN CERTAIN SEGMENTS OF EGYPTIAN SOCIETY.

4. IBRD OFFICIAL HAS FORMED COMPARATIVELY FAVORABLE OPINION OF MINAG SHOUKRY DURING RECENT CONSULTATIONS, BUT AGREES WITH OUR DISQUIET OVER RAPIDITY OF TURNOVER AT TOP IN THAT MINISTRY. ON DRAFT FIVE-YEAR PLAN, PAIJMANS WAS INFORMED THAT DOCUMENT WAS TO BE SUBMITTED TO CABINET JULY 13 AND TO ASU SHORTLY THEREAFTER. LIKE EVERYONE ELSE, HE NOTED UNSEEMLY HASTE OF MINPLANNING ABDEL MEGUID IN FINISHING PLAN SO AS TO DEPART FOR UN POST AND HE SHARES OUR CONCERN THAT NEW MINISTER MAY, IN EFFECT, SCRAP PLAN AND START ALL OVER. PAIJMANS SAID, HOWEVER, THAT PLAN IN SOME FORM IS ABSOLUTE REQUIREMENT FOR CONSIDERATION OF FUTURE AID NEEDS AND INDICATED IBRD WOULD NOT VIEW WITH DISFAVOR EVOLUTIONARY CHANGES IN PLANNING DOCUMENT UNDER NEW MINISTER. TO CONTRARY, SUCH CHANGES OVER TIME WOULD BE EXPECTED. (AMBASSADOR NOTED RECENT CODELS HAVE BROUGHT SAME MESSAGE TO GOE OFFICIALS: NEED FOR EGYPT NOW TO FORMULATE COHERENT SET OF DEVELOPMENT PRIORITIES TO SUPPORT US ASSISTANCE EFFORTS.)

5. COMMENT: ALTHOUGH NOT DISCUSSED AS SUCH IN MEETING WITH IBRD OFFICIALS, CONVERSATION POINTED UP TO US DISPARITY BETWEEN POLICY COHERENCE AND APPARENT COMMITMENT TO ACTION OF ECONOMIC/FINANCIAL GROUP OF MINISTRIES HEADED BY DEPPRIMIN KAISOUNI ON ONE HAND AND, GENERALLY SPEAKING, FUNCTIONAL GROUP CONCERNED WITH PRODUCTION UNDER DEPPRIMIN SULTAN. MINISTERIAL HOUSECLEANING IN NOVEMBER 1976 HAS RESULTED IN FORWARD-LOOKING, CONFIDENCE-INSPIRING ECONOMIC GROUP, AT LEAST IN CONTEXT OF RECENT EGYPTIAN HISTORY, WHILE LACK OF DRIVE AND COORDINATION ON PART OF PRODUCTION MINISTRIES (WITH EXCEPTION OF PETROLEUM) IS BECOMING INCREASINGLY EVIDENT AS SERIOUS DRAWBACK TO SATISFACTORY DEVELOPMENTAL PROGRESS.
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PAGE 04 CAIRO 11697 141421Z

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